

Public Accounts Committee

Oral evidence: Progress with defence estate disposals, HC 179

Monday 28 June 2021

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Members present: Meg Hillier (Chair); Gareth Bacon; Sir Geoffrey Clifton-Brown; Mr Mark Francois; Mr Richard Holden; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General; Adrian Jenner, Director of Parliamentary Relations, National Audit Office; Charles Nancarrow, Director, National Audit Office; and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1 - 90

Witnesses

I: David Williams, Permanent Secretary, Ministry of Defence; Graham Dalton, DIO Chief Executive Officer, Ministry of Defence; Air Marshal Richard Knighton CB, Deputy Chief of the Defence Staff, Ministry of Defence; Sherin Aminossehe, Director Infrastructure, Ministry of Defence.



Report by the Comptroller and Auditor General

Optimising the Defence Estate (HC 293)

Examination of witnesses

Witnesses: David Williams, Graham Dalton, Air Marshal Knighton and Sherin Aminossehe.

Chair: Welcome to the Public Accounts Committee on Monday 28 June 2021. Today we are examining the Ministry of Defence's plans for the size and cost associated with its built estate. That is not the firing ranges in the countryside but where it has property and assets, partly for the training and accommodation of our armed forces.

The better defence estate strategy was published in 2016 and had ambitious targets, including a 30% reduction in the size of the estate by 2040-41, but so far progress has been very slow. The National Audit Office report that we are using today, *Optimising the Defence Estate*, has highlighted that, while savings have been made, there is still much to do. A revised timetable for disposing of unwanted sites is now out there. We are going to probe today to see how well that is going. We want to get into the detail of the timetable and the cost. Of course, this all plays into the future of our armed forces and their operational needs.

I would like to welcome our witnesses today. We have David Williams, the new Permanent Secretary at the Ministry of Defence. Congratulations to you, Mr Williams, on your appointment. We have Air Marshal Richard Knighton, the Deputy Chief of the Defence Staff, dealing particularly with financial and military capability at the Ministry of Defence. We have Graham Dalton, the chief executive of the Defence Infrastructure Organisation, often described as the DIO. We have Sherin Aminossehe, the director of infrastructure at the Ministry of Defence. Welcome to you all. I would like Sir Geoffrey Clifton-Brown to kick off.

Q1 **Sir Geoffrey Clifton-Brown:** Good afternoon, Mr Williams. Congratulations from me on your new appointment. Can I start with a top of the menu question and ask you about Annington Homes? This is the deal that was done in 1996 where the Department sold 55,000 houses on 999-year leases. You have been involved in a big arbitration programme. Could you give us an update on that, please?

David Williams: As you say, we are in the middle of an arbitration process with Annington Homes, which is structured by taking groups of properties in bundles and then working through each of those bundles to arrive at what a reasonable level of rent for the future may be.

The first of those arbitration sprints, as it were, completed earlier this year. The second is due to report this summer, and then there is a programme



of further review going forward. As we get the output of each of those stages, we and no doubt Annington Homes will review what that means for the future programme of arbitration and engagement.

Graham Dalton: I have a very slight update on that. It is pretty much the same, except the second round of sites is being considered and we received a draft determination in the middle of last week. That is proceeding pretty much as planned. We are going through that draft very closely at the moment to check for errors and omissions, and it will be finalised, as the Perm Sec said, very shortly. We will make an assessment based on that.

For a flavour, as the Committee is aware, we were comfortable with the first round. It was consistent with our forecasts. The second one appears to be going the same way. It is in a reasonable place and it is something we can manage.

Q2 **Sir Geoffrey Clifton-Brown:** Perhaps sticking with you, Mr Dalton, thank you for that reply. It seemed to me that one of the ways of mitigating the Annington Homes contract was to try to see where you could do a deal with Annington, perhaps releasing houses and absolving yourself of a potentially large dilapidation bill in return for perhaps some other gain elsewhere. Are you looking at these sorts of measures?

Graham Dalton: Some of this is commercially sensitive and there is only so much detail that we can talk about openly. There is the extant arrangement where we have committed to some hand-backs of houses, and in compensation we get a partial relief on dilapidations. We are continuing to work through that programme of release of surplus properties.

On the basis of the decisions that we get from the arbitration panel, we will then determine how that models out across the estate against our future defence needs and, on the back of that, determine whether Annington Homes is keen to negotiate and settle on the remainder of the estate or whether there are still points at large. We need to work through the decisions we have got from the panel so far, and to run the modelling to tell us what that says about the estate and our future requirements. I suspect there will be an appetite either for a negotiation then or there may be some points that we feel we need to take into a third wave, which would almost certainly be the final one.

Q3 **Sir Geoffrey Clifton-Brown:** You have my sympathy about the complexity. Are you able to tell us at all this afternoon a timetable for that programme?

Graham Dalton: Yes, pretty much. We are in the middle of 2021. If the final determination comes out in July or very early August, we have a finite time to turn that around, which was agreed in the arbitration agreement that we have with Annington Homes. That would mean a decision in August-September time on whether we feel we need to run a third wave. If not, if we feel there is a negotiation to be done, which will depend on



whether we and Annington have some similar points, we will be doing that over late summer and early autumn. We are talking about, if not concluding, getting close, in this financial year.

Q4 Mr Holden: Mr Williams, there are a lot of huge contracts involved in a lot of the estate programme, but there are also significant contracts involved in the programme around recruitment of soldiers to the armed forces at the moment. I am just wondering what you initially think of those contracts, having now been in post for a short period of time and having given them a swift overview, particularly around ensuring that we recruit the targeted number of female soldiers into the armed forces.

David Williams: On the specifics of our approach to recruitment, you will be aware of the current arrangements we have being supported by Capita. I have had an initial meeting with the Capita team and we discussed how those contracts are performing. We are also just going through the process of scoping and thinking through what arrangements apply when that contract comes to an end. It is live business.

In terms of our capabilities within the Department to let competitions, let contracts and then manage them, we are in a better place than when I was last in the Department six years ago. That is the subject of a further NAO report that will be out any moment now, on which I will be back in front of this Committee in two weeks' time. I might come back with a fuller view then, if that is okay.

Q5 Mr Holden: That is fine. Are you generally happy with what you are seeing or will we have to wait a couple of weeks for that initial assessment?

David Williams: In comparison to some of the challenges that recruitment and the contractual arrangements have had over the past few years, there are signs of progress and improvement. We look to be on the right sort of trajectory.

Chair: We now turn to the main detail of what we want to look at today around the defence estate and strategies to deal with this in the future.

Q6 Sir Geoffrey Clifton-Brown: Mr Williams, you have a £36 billion estate that is costing you £4 billion a year and occupying 1.5% of the landmass of the UK. In managing that massive undertaking, you have a lot of spinning plates at the moment. You have the integrated review; you have the future families model; you have the Americans wanting to retain some of our major bases, Alconbury, Mildenhall and Molesworth, among others; and you have the relocation of 20,000 troops back from Germany.

Taking all these different aspects into account, when will you come up with a comprehensive estate management plan?

David Williams: As you rightly set out, there are lots of moving parts here. Indeed, the range of issues that you detail goes to one of the particular challenges that we have in coming up with a firm estate strategy, which is precisely that we need it to be responsive and agile in dealing with



changes in the strategic environment. What we need from our defence estate is a set of land, buildings and accommodation that supports our generation of defence capability, whether that is in terms of military force generation or the lived experience of our people, that is sustainable, increasingly with an emphasis on net zero, and affordable. The challenges that you raise, in terms of how we might change our requirements in light of the integrated review and how our American allies may develop their view of their requirements for basing in the UK, are just a few elements of the complexity here.

Coming back into the Department, my sense is that although, as the report sets out, we are not on track to deliver the, to my impression, rather arbitrary or unrealistic targets from 2015, we now have a better grip on the estate strategy going forward. That is not to say there will not be changes at the margins, and we need to work through some of those this year. As the NAO itself says in its report, although there remain challenges, we have made quite a bit of progress over the past year in terms of our governance, the incentives in the system and our focus on optimising the estate rather than simply disposing of surplus land. We are in a better funded position after last year's spending review and we have a good team taking this forward.

Q7 **Sir Geoffrey Clifton-Brown:** That was a great answer, but it was not the answer to the question that I asked you. When will you come up with a comprehensive DIO management plan?

David Williams: Let me have one more go, and then I might bring in Air Marshal Knighton. What I was trying to say is that we have the key elements of a comprehensive defence estate plan now, of which the major component is the DEO, defence estate optimisation, portfolio. That is the subject of this report. We are making reasonable progress against that.

Does that mean it is going to be set in stone for the next five or 10 years? No. We already know there are areas where it will need to develop and adjust, but we are not starting, as it were, from a blank sheet of paper.

Q8 **Sir Geoffrey Clifton-Brown:** Perhaps, Air Marshal, you might be able to give us a little more on this. We have been through at least three iterations since 2015. When are we going to get to a position where you in the Ministry, we in Parliament, your employees in the Ministry of Defence and the general public have a really good idea of where the management of this huge portfolio is going, realistically, with some realistic targets for what you can achieve, which has not been the case in the past?

Air Marshal Knighton: There might be two parts to your question. The first is about what the estate is going to look like in the future, and I will deal with that. You might also be asking a question about who does what in the management of the estate.

Sir Geoffrey Clifton-Brown: No, I am not there yet. I was not on the second part; I was on the first part.



Air Marshal Knighton: On the first part, then, optimising the estate is a process that we go through on a continuous basis. An optimised estate will be one that meets the needs of defence and its people as efficiently as possible. As the Permanent Secretary says, we do not start with a blank sheet of paper. We have to live with the estate we have and the constraints it brings.

In deciding what is the optimum position, we have to balance affordability, so how much money we have; what is deliverable, i.e. how quickly we can do things; the efficiency, i.e. how we generate savings or how cheaply we can deliver the outcome of the estate; and the military capability. Some of those things are in tension. You might argue that putting all our soldiers or all our aircraft in one place makes sense from an efficiency perspective, but from a military capability perspective it would not make sense at all, whether it is to do with access to training areas or just simply resilience as we think about threats to the UK.

There are some adjustments that we will need to make following the integrated review, but, given the money we have allocated, the profile of that funding and our current understanding of the military capability requirements, we think the proposals we have developed as part of the revision we have done to the later version of the defence estate optimisation programme are, from where we sit today and with those constraints, the optimum solution. That includes within it all the appropriate dates associated with when we hope to dispose of sites.

We are not complacent in that. We know the estate is bigger than we really need it to be. Even after we have been through this process, it will still be bigger than we would ideally wish it to be. Over time, we expect to rationalise it further so there will be better utilisation of the assets. We need to think about, for example, post-Covid ways of working and the office space that we require. We are exploring more opportunities—

Q9 **Sir Geoffrey Clifton-Brown:** Air Marshal, with respect, I get all of that. I was not asking for that sort of detail at this time, although through the course of this hearing I am sure we will get there. I was simply asking you and the Permanent Secretary a very simple question. Can we expect a new plan, in a policy paper, a statement to Parliament, a White Paper or whatever, which, at some point in the near future, will set out what the overall Defence Infrastructure Organisation strategy is? I do not mind whether you or the Permanent Secretary answers that. Is such a preparation in train or not?

Air Marshal Knighton: The short answer is yes. The Minister for Defence Procurement has responsibility for the estate in the ministerial portfolio, and he is committed to updating Parliament regularly on the defence estate optimisation programme and any basing decisions. There is some refinement being done at the moment—we are in discussion with Ministers—as a consequence of the integrated review, but the vast majority of the plan that we have remains valid. Our focus is to be driving at



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delivering the changes and the investment that we expect to make over the next few years.

Q10 Sir Geoffrey Clifton-Brown: You have only 55 people currently managing that whole process in the whole portfolio. Is that enough?

Air Marshal Knighton: I might turn to Graham Dalton, who has some of that team, and Sherin, as the senior responsible owner for the changes we have made, to give you a full answer to that.

Graham Dalton: The figure of civil servants in the direct project management team is 55. I have many others. Sherin has a small team with her to support sponsorship of the programme. I have a client-side business partner or support partner in Mace, which has a significant number of people in to support. We have other people within the Defence Infrastructure Organisation also focused on this, such as my estates team, who manage and do the disposals and sale of land. Those are not included in the 55.

Q11 Sir Geoffrey Clifton-Brown: The report makes it clear that you are recruiting up to 93 in total.

Graham Dalton: That is correct.

Q12 Sir Geoffrey Clifton-Brown: How is that going?

Graham Dalton: We are pretty close to plan. We are at about, from memory, 53 or 54 against a target of 60 or 61 at the end of the last financial year.

Sherin Aminossehe: I want to add a few things in support of that. As Graham was saying, we have an extensive team of external consultants helping us with specialist advice. To your earlier question about the impact of the integrated review on the defence estate optimisation plan, we are in the final stages of making some small adjustments, as Rich was saying, to the plan, particularly working with the Army at the moment. That should be very, very shortly finalised.

As Rich was saying, in due course we will be taking that out, as we have previously, in terms of parliamentary notifications. That should be out very shortly. We will also be giving mandates to frontline commands in the next few months to start implementing and delivering each of their various programmes.

Q13 Sir Geoffrey Clifton-Brown: Could we get an overall figure of the number of people who are working on strategic management? I do not talk about the day-to-day management of whether a house has got a loo blocked up or whatever; I am talking about the strategic management of the estate in terms of your management in the DIO, the commands and any consultants you may be employing.

What is the headcount on a full-time basis for the strategic management of the DIO? Could anybody give me an answer to that?



David Williams: As it ranges across head office, the DIO and the frontline commands, that would lend itself to a very quick follow-up note, which I am happy to send the Committee after the hearing.

Q14 **Sir Geoffrey Clifton-Brown:** That is very helpful indeed. The report does not actually touch on the reserve estate, but given that you have a reserve forces review, which does not mention much about the reserve estate, how integrated is that into the main MoD estate?

Air Marshal Knighton: When the defence estate optimisation programme and the better defence estate strategy were developed, they did not look at the reserve forces and cadets estates, but the Secretary of State instigated at the end of last year a review into the requirement for the estate for the reserve forces and cadets. That has reported to him. It was conducted by the director of infrastructure in the Army and is part of the further refinement and optimisation of the estate.

Having looked at the options and looked at the laydown, we are now working to think about how we can incorporate potential opportunities to rationalise that estate and link it in with the overall regular estate and the defence estate optimisation programme. We are bringing those things together now.

Q15 **Sir Geoffrey Clifton-Brown:** Permanent Secretary, presumably the Secretary of State will be reporting on that review to Parliament. When might we see that?

David Williams: I do not have a specific timescale. I agree with you: I would expect it to be reported to Parliament. As you know, the Army is looking at its regular force structure in light of the integrated review. Following on from the reserve forces 2030 review, it is also looking hard at the contribution that Army reservists make to the overall Army force. We will want to test and adjust the estate consequences of both of those before announcements are made.

Within the Department and within the Army, that work is in its final stages at the moment, so I do not think it will be very long. I am not certain that it will be this side of the summer break.

Q16 **Sir Geoffrey Clifton-Brown:** But it will be fairly soon in the autumn.

David Williams: I would have thought so, yes. I can update you, if that is an unrealistic aspiration on my part.

Chair: Mr Williams, you have moved Departments, but your ability to pin down a date remains as mandarin-esque as ever.

David Williams: Thank you for that.

Chair: Yes, exactly. It is a compliment to you, I am sure; to us, it is a frustration of civil service timelines.

Q17 **Nick Smith:** Ms Aminossehe, you mentioned the use of consultants to



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support the work of your team. That has been a controversial topic in recent months, has it not? Could you let us know the average daily cost of the consultants who support you, please?

Sherin Aminossehe: I can give you a broad cost, but Graham Dalton might want to give you further detail. I can then add more on how we are working with consultants on the defence estate optimisation.

Graham Dalton: Our client-side partner provides professional services. When we say “consultants”, these are people doing professional project management and commercial management. They are contracted on term contracts through the Crown Commercial Service and they are working at rates discounted against the framework rates they have with CCS.

Chair: We might need a letter on some of the detail of this. It is just helpful.

Graham Dalton: From £400 to £500 a day would be typical for a project manager.

Chair: That is less than some of the projects we are looking at, but it is difficult to compare. If we could get a letter on that, it would be great. Thank you.

Q18 **Nick Smith:** It is great that you have negotiated a discount. Do you have any consultants who are paid more than £2,000 a day?

Graham Dalton: Not to my immediate awareness, no. I do not believe so, certainly not on this project.

Chair: Ms Aminossehe is also shaking her head. I am sure they will write to you if that is not the case.

Q19 **Gareth Bacon:** My question is to Mr Williams initially, and it is about the 30% target that was set in the 2015 strategic defence and security review. By way of a broad-brush, scene-setting question, what were the assumptions that underpinned that target? I appreciate it was done before your time, but I assume you have reviewed it in the three months you have been in post. What were the underlying assumptions to that target?

David Williams: This may turn out to be the theme of a number of my appearances before the Committee, in that there were a range of assumptions made in the 2015 defence review and, more to the point, the accompanying spending review that were based on headline assumptions rather than detailed or mature plans, which reflected the constraints of the financial settlement available to the Department at the time.

Broadly speaking—it is not clear to me on return that it is much more sophisticated than this—the armed forces had reduced in size by about 30% and the estate in the UK supporting the armed forces had not. If you like, that is the underpinning or the genesis of the target. That does not come with a set of plans for how you might achieve it. As the NAO report shows, progress since then has clearly not met that initial assumption.



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Describing it as a top-down assumption rather than a worked-through target is probably accurate.

Q20 **Gareth Bacon:** Does it have any meaning, then?

David Williams: Now probably not, no. What I am really focused on, as Air Marshal Knighton was saying earlier, is delivering the plans that are much more mature within the defence estate's optimisation portfolio and making sure we are responsive to other factors that will have an impact on our requirements for the estate.

If you like, the integrated review and the spending review of last year have reset for the Department a number of targets, of which the estate challenge is just one, including our efficiency target and the assumptions around the equipment plan. We are working to that new drumbeat rather than the assumptions made in 2015.

Q21 **Gareth Bacon:** Can we expect a revised target?

David Williams: This is one of the things we need to work through over the coming months. We had a slightly more worked-through target of a 25% reduction when the better defence estate strategy came out. We are currently looking to deliver 13% to 15% against that target. We need to factor in the impact on its requirements of the reduction in the size of the regular Army, and changes in particular in the Army's plans around its armoured vehicle fleet. We need to look at the consequences of our experience of Covid-19 and what that means for workplaces. There will be other changes to our requirements.

There is a galvanising value in a headmark target over a 25-year strategy. I am more interested in having a set of hard deliverable targets over the lifetime of this Parliament or this spending review period, against which collective performance can be well assessed and driven.

Q22 **Gareth Bacon:** When do you expect to know what the right size of the estate is likely to be?

David Williams: This is what Air Marshal Knighton and I have been trying to say already. First, on the one hand, we do not start from a blank sheet of paper; secondly, I am not sure you are ever quite finished. We have a good core of what it is that we are looking to do through the current defence estate optimisation programme. As we make decisions on further requirements, and as we link into other policy initiatives like net zero on the one hand or the future accommodation model for service personnel, we will need to test and adjust those estate assumptions.

It is about having a clear sense of direction, as Air Marshal Knighton said. We are confident that we can get the estate smaller and more efficient while better meeting our military capability requirements and improving the lived experience of our personnel, both of which are important drivers. There will be a range of things to work through. I suspect the working-through never quite finishes, because more things come up that



you then need to assess. Back to Sir Geoffrey's question at the beginning, Ministers have committed to update the House routinely on where our plans stand. A regular update on our proposals would probably be a better way forward than a single headmark target that we are aiming for.

Q23 Gareth Bacon: The progress has been relatively slow since the 30% target was set. The disposals are around 2%, as the NAO report has picked up on. The plans in hand at the moment indicate another 16% by 2041. The target of 30%, as we have just agreed, really does not have a huge amount of meaning. Are you going to be setting a new target, whether it is over the lifetime of this Parliament or longer, that you expect to hit?

David Williams: We have, as the NAO report sets out, a revised schedule of disposals and a revised schedule of investment in sites that we are retaining. That forms the basis of the performance management framework. If you like, it forms the basis of the handshake that we are making with our frontline commands who, with DIO colleagues, are delivering on this programme.

Air Marshal Knighton: We have settled on a plan over the next 10 years or so. We are much more confident about the next few years than we were in 2015 and 2016, because we have done the full assessment studies and we have much more data and evidence. Alongside the investment plans, that leads to the opportunity to release land and, therefore, to optimise and reduce the size of the estate. We could retrofit a target based on a percentage number, but the real focus is on delivering those projects and getting out of those sites.

That is what we expect David and Ministers to hold me, Sherin and Graham to account for delivering rather than a singular percentage number of reduction. There is much more value in being held to account on delivering the specifics of the programme than a singular number. As the SRO, Sherin may have something else to add.

Sherin Aminossehe: In support of what Rich and David were saying, one of the additional reasons that we have greater confidence in what we are doing is earlier engagement with local authorities and making sure that sites are actually in local plans so that disposals are much more certain than they had been in the past. That has been a really important lesson learned over the past couple of years. There is also inherent conservatism within the model that we are using in terms of costs, disposal dates and so on. That will be another part.

The other thing I will just mention is that we are finalising the strategy for defence infrastructure. Rich may want to talk about that in a little more detail, but that is basically more detail on our vision, once it has gone through our Ministers, and what we intend to do in the future.

Graham Dalton: Much of this has been covered, but, from my experience, which is 35-plus years in infrastructure in the private and public sectors,



the asset base, the infrastructure, is here to support the business. It will adapt and it will move according to emerging requirements.

We are going for the best part of 90 sites identified on the schedule. Certainly my teams, under Sherin's leadership, are running hard to work through those sites. As we have said, they are not the total. Within DIO, we are changing this business—it is fundamentally different to what I appeared in front of this Committee with in early 2017—to be about sound asset management. That starts with the assets we have, the condition they are in and the utilisation of those assets. We are trying to get into the largest assets.

So 30% probably is not the right number, but a constant approach says, "There is a set of sites to get rid of. The military does not need them and it can operate more efficiently on fewer sites." In the ones we are on, we have to go through and make sure we are making best use of the buildings we have, and get rid of the ones we do not need because, for example, they are poorly utilised. That brings out better operation and it saves money, because you are not paying to maintain and pump heat, energy and everything else into buildings we do not need. That is the mindset we are trying to get at. I do not know if that helps, Mr Bacon.

Q24 Gareth Bacon: It does help very much, and what you have just said is very logical. Are we in general agreement, then, that the 30% target is not a particularly meaningful one and can be disposed of?

Air Marshal Knighton: Like I say, the 30% target was a target put upon the Department. We never said the defence estate optimisation programme would get at it. I defer to the Permanent Secretary to say whether we can get rid of it. That is probably his call or Ministers' call rather than mine.

David Williams: My understanding, three months in—although, as members have already noted, I have had quite a lot to look at in three months—is that, effectively, the target has been overtaken by a combination of the integrated review and the 2020 spending review. We are not going to hit it, so it is not of much value.

Q25 Mr Holden: Just to come back to a little bit of a theme and pick up on Mr Bacon's comments to Mr Williams, one of the issues that many people will be concerned about—we have seen this in other Departments—is PFI contracts. Mr Williams, I am just wondering what restrictions you have in optimising the estate, as Mr Dalton has suggested, from those outstanding contracts at the moment?

David Williams: Let me make a couple of general points, and then Mr Dalton may want to come in on current contracts. We are not letting new PFI contracts. The Government decided not to progress further PF2 deals. One of the issues that have required us to think again about the focus and nature of the defence estate optimisation programme is that we had from



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2015 been assuming substantial investment in the estate through private finance, and those plans had to be backed out.

In terms of my initial focus on PFI, I am actually much more interested in making sure that we have an orderly exit from a range of existing PFI deals that are due to reach their natural conclusion over the next five years, with a further slug coming to the end of their contractual lives in the second half of this decade. Making sure we have an orderly programme of transition and exit is an important priority for us, indeed picking up on wider work that the PAC and the NAO have been doing with Government. Mr Dalton may want to come in.

Mr Holden: Yes, we could do with some of the detail from Mr Dalton.

Graham Dalton: Current PFI contracts range from buildings and conventional garrison-type management right through to utilities like water and wastewater. The latter are very effective for us. The downside of the PFI contracts is that they are relatively expensive and relatively inflexible. The upside is that they are generally the assets or sites that are in the best condition and the most attractive to work on, because they have been modernised and they are supported much better.

Part of the approach and the strategy is to work those assets harder. That means putting more people and more units into those sites in order to work them much harder. That enables us to free up the poorer-condition sites that have not been invested in.

Q26 **Mr Holden:** That makes some sense. I have a quick question to follow up on that. One of the things we have seen on PFI is that the MoJ got a settlement when the PFI was stopped to help fill in some of the gaps it was facing. Is that something you have received as well at the MoD?

Air Marshal Knighton: When the Chancellor announced that the private finance route was not going to be available, we had a big gap of over £2 billion in the defence estate optimisation programme. That gap has been completely filled by the SR settlement and the assumptions that we were given for the defence budget going forward beyond the four years of the SR period.

Q27 **Mr Holden:** The gap has been filled, but is that cash coming from other places in order to fill your budget, so we are not seeing an actual uplift in what we are able to provide? Is it part of the overall picture of the cash that you were getting?

Air Marshal Knighton: Yes, the overall £24 billion-worth of cash is a £16.5 billion real-terms increase in the defence budget over the SR period. An element of that fills in the gap as a consequence of not having the private finance funding route available. Beyond the period of the SR, we have been given some assumptions by the Treasury for the growth in the defence budget, and we have allocated capital funding from the additional budget that we have been given to enable us to execute the defence estate optimisation plan.



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Graham Dalton: Taking Mr Holden's question, an initial capital spend is offset by a reduction in future RDEL spend, so paying the regular payments on a PFI contract. It is switched to cash. It works out as better value over the term.

Q28 **Mr Holden:** I understand that. Air Marshal, as Mr Dalton said, the PFI ones are relatively inflexible but they are also the best looked after. How is it the case that the rest of the MoD is unable to look after its buildings?

Air Marshal Knighton: First of all, I would refute the implicit statement that the rest of defence is unable to look after its buildings. As the NAO report and the 2016 report set out, for several years defence has only allocated sufficient funding, which means we are unable to conduct all the preventive maintenance that we would wish. Through the spending review settlement, we have been able to reverse that. We are increasing the level of investment in maintenance of the estate to allow ourselves to move more of the estate on to a preventive maintenance regime.

Q29 **Mr Holden:** Just to be clear, you mentioned preventive maintenance. From our recent chats regarding the estate and accommodation, everything was fixed on failure, from what I understood, not preventive measures. Are you saying that is not the case?

Air Marshal Knighton: What I am saying is that it was set out in the National Audit Office report that this was the model that we used in quite a large element of the estate. What we have done through the spending review settlement is increased the amount of funding that we allocate to estate maintenance, which allows us to move more of our estate to a preventive maintenance regime. That is the path we want to continue on over the next few years.

Q30 **Mr Holden:** I do not quite understand how you can have a better situation with the PFI contractors than you do with the estate that is run by the MoD itself.

Air Marshal Knighton: As Graham set out, when we let a PFI contract, as part of that deal we establish a standard of maintenance, repair and overhaul that is fixed for the life of it, which might be 25 years. That guarantees a level, so we have no ability to dial that back down.

Chair: We understand how PFIs work.

Q31 **Mr Holden:** I understand that, but how is it that you are allowing the rest of your estate to be at a lower standard than what you would expect from some of your PFI contractors?

Air Marshal Knighton: If we look back over the period after the crash in 2009 and the SDSR in 2010, the decision was probably taken by Ministers at the time around the affordability of the overall defence programme. They decided to take more risk in the amount of money allocated towards the defence estate. That led to us moving to this model of what is described as fix on fail. We absolutely acknowledge that is not a good long-term solution



to extract the most value from the assets. That is why we are incrementally shifting to spend more on maintenance to reverse that trend and put more on preventive maintenance.

Sherin Aminossehe: I have a very brief point to add to what Rich has already said. Looking forward, the move away from fix on fail to preventive maintenance will also be made easier by the defence estate optimisation portfolio, because what we are doing will impact, effectively, 33,000 service personnel across the estate. As we renew and regenerate parts of our estate, we will also be saving further on running costs and lifecycle replacements, because we will be building fresh.

Q32 **Mr Francois:** Mr Williams, congratulations on your appointment. Given your background, David, many people would say, "Welcome home."

The 30% target is the extant one we have. If you turn to page 13 of the report, in the summary at paragraph 20, under the heading "Conclusion on value for money"—this sums it up—it says this. "In 2016, the Department launched its estate optimisation strategy, which highlighted the crucial role of the estate in supporting military capability. Yet in the five years since we"—the NAO—"last reported, the Department has continued in the cycle of re-organising and re-planning its estates disposal programme and has made limited progress in rationalising its estate. It has cut the size of the built estate by just 2% and reduced its estimate of DEO portfolio's net benefits from £2.4 billion to £0.65 billion."

To quote what you said earlier, on that basis, you have got nowhere near it. That is right, is it not?

David Williams: Yes, based on those facts. Our assumptions both of the benefits from the programme and, in particular, around the timing of the reprovision of the estate in order to allow surplus estate to be vacated are more mature and better, frankly, than they were at the time that target was set for the Department and when we set out our initial sets of plans.

Overall, the portfolio still represents value for money, and that position is routinely—

Q33 **Mr Francois:** I apologise for interrupting you, but we will come on to that. I just wanted to establish that you have got absolutely nowhere near it, and you concur.

Moving on from there, you have told us candidly, to your credit, that effectively this target is going to go because it is unachievable. To double check, has that decision been endorsed collectively by Ministers?

David Williams: I would have to see whether any of my colleagues want to come in on this. I have not agreed that position with Ministers in my three months back. My assumption is that the nature of both the requirement for military capability set through the integrated review and the funding settlement we have had through the spending review in effect backs us to deliver the defence estate optimisation portfolio that we have, not one that would hit that target.



Q34 **Mr Francois:** David, you now understand why I am pressing you. You have made the point that you are new back in post; the Committee understands that. Your view, candidly expressed, is that the target is unrealistic and has to go. It may well be that the Committee agrees with you. If that position has not been collectively endorsed by Ministers—you know full well how Whitehall works—until it is changed, the 30% target remains the default policy, does it not?

David Williams: Yes, I understand that. That is a point I am absolutely happy to take away and clarify for the Committee.

Mr Francois: Perhaps you could clarify it when you come back in two weeks.

David Williams: Yes, okay.

Q35 **Mr Francois:** That is very helpful. You took on Capita as a strategic business partner in 2014 and, in simple English, you sacked it in 2019. You did not sack it on recruit partnering—let us not go down that rabbit hole this afternoon—but I wish you had. To my mind, it was an unmitigated disaster. Only the Ministry of Defence could declare a 10-year contract that hits its target in year 8 or 9 as a success. There is no other Department in Government that would dare make that claim. Why did you sack Capita from the estates disposal contract?

David Williams: From what I can see, we ended that contract early because, frankly, it was not delivering against the assumptions about either savings or improvements that we thought it would deliver when we let the contract.

That will partly be down to contractor performance; it will partly be down to our ability to come up with an estates strategy against which our partner could deliver. The assumed savings and benefits were substantially off track, and the decision was taken to terminate the contract early. As part of that, we ran on an element of the expert capability until that, too, was ended in 2019, as Mr Dalton built up equivalent capability within the DIO.

Q36 **Mr Francois:** In simple layman's English, they did not deliver what they said they were going to deliver so you sacked them. They did not do that on recruiting either, but you did not sack them on that.

Let us stay on estates. In terms of your plan going forward, on page 12 of the summary under "Management information", it reads, "The Department has recognised the weaknesses in the completeness and quality of its management information on the cost and condition of its estate. By 2025, it plans to have introduced an asset management system to help address this." With respect, you have been working on this problem for years as it is. Why will it take you another four years to introduce an asset management system, and why do you not already have one?

David Williams: In summary, we are in a better position on our understanding of the estate, with underpinning data and management information systems, than we were before the strategic business partner



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was brought in, and we are in a better position than we were when that contract was exited. It is a complex picture that we need to get right, albeit that we have a range of interim approaches with snapshots of the estate that help to inform our decision-making. Mr Dalton may wish to come in on the detail.

Q37 Mr Francois: Before he does, you say that you have a much better understanding of our estate. If that is right, if you have a much better understanding, why do you need another four years for an asset management system, if you do understand your estate much better than you did?

Graham Dalton: This is perhaps the point at which I can come in. There is understanding what we have, and then there is the prediction and the work to manage it. We have gone through several phases.

When DIO was set up, only 10 years ago, knowledge of the defence estate was not held in one place. We brought together the information, the data and the records to know exactly what we had. We then went through a phase—this was 2017-18 in particular—of getting to understand the condition of the estate. We ran through all the built assets across all the MoD estate. We have them categorised by condition. We have some basic modelling that therefore gives us an anticipation of the future life of those assets.

A full asset management system then takes us on to the particular asset classes and gets us into a proper way of managing those assets, whether it is things like runways and aircraft-operating services, or single living accommodation, so we can help the commands take decisions as to the optimum time to invest in those buildings and the optimum time to take them out of use.

Q38 Mr Francois: That has taken you 11 years.

Graham Dalton: It has taken things like regulated utilities probably longer.

Q39 Mr Francois: You are not a regulated utility. We do not have British Gas in front of us today; we have you. Let us focus on you. What you are saying, in layman's terms, is that it has taken you 11 years to understand what you already have.

Graham Dalton: No, it has taken us five to six years to understand what we have and the condition it is in. It is knowing what we have and, once that is all in place, the condition it is in. The difficult part—infrastructure right across the developed world is going through this—is trying to forecast and determine the optimum time to intervene and what you need to do. You do not go and repair or paint something because it has not been painted for five years. You go in at the optimum time to do it.

Q40 Mr Francois: We will come on to FDIS and all of that later, but at a previous hearing of this Committee, which I had the privilege to attend, we



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were talking about the single living accommodation management information system, or SLAMIS for short. That was designed to give you a management information system over your SLA and to act as a booking system.

You had been working on that computer for seven years. At that time, the system was not even in service. It took seven years to create a computer so you can book occupancy of single living accommodation. You can go down to Premier Inn, and they do that every day of the week. Is SLAMIS now in service?

Graham Dalton: My chief operating officer, David Brewer, was in front of you three or four months ago, and he said that the pilot would be running this spring. We are just launching that pilot, as he said we would.

Q41 **Mr Francois:** I am sorry, but that is not the same thing. I did not ask you if it was a pilot. Is it now in service across the estate after seven years—yes or no?

Graham Dalton: That system is not in service. At the time of the hearing before, we said we would have a pilot running this spring.

Q42 **Mr Francois:** We will come on to pilots when we get to FAM. After seven years, you have managed to run a pilot. After 11 years, you have managed to understand the estate that you have. As this report makes very plain, you have changed your plans so many times that you now barely have one. Are you familiar with the military saying, "Order, counter-order, disorder"?

Graham Dalton: I am not, no.

Q43 **Mr Francois:** It basically means—any squaddie will tell you—that, if the people in charge keep changing their mind about what they want, you get massive confusion. That seems to be the simple story of this entire programme. You bring in a strategic partner and then you sack it. It takes you 11 years to ascertain what you actually have. It is going to take you another four years to come up with an asset management system. It has taken you seven years to have a booking system for some of your accommodation that still is not in service.

Which of these three best describes this overall? Is it a shambles, a total shambles or a complete and utter shambles? Is it A, B or C?

Graham Dalton: I will take that as a rhetorical question.

Mr Francois: You may if you like, but, on one level, it is not funny, is it?

Graham Dalton: It is not.

Q44 **Chair:** Perhaps Mr Williams has the perspective of a new Permanent Secretary coming in to see this for the first time. Mr Williams, what is your take on this?

David Williams: If you take a step back, there are areas where we have made good progress and areas where progress has clearly not been where either we want it to be or it needs to be. I do not accept the characterisation



that everything here has gone badly wrong. We need to be able to learn the lessons from those approaches that have not delivered and ensure that we are taking appropriate action for the future. A focus on the underpinning management information systems, both to help manage the estate and to manage the portfolio, is a really important component of that.

Q45 Mr Francois: I will hand back to the Chair in a minute, as I am new to the Committee. To summarise, it has taken the Department 11 years to understand the estate you have. It is going to take you another four years on top of that to develop an asset management system. You have had a 30% disposal target, which may or may not have been a sensible target in the first place. I entirely take your point, as would many others. Nevertheless, you got 2% of it. You got nowhere near generating the revenue you were meant to generate. You have booking systems you have been trying to develop for seven years that do not even work properly yet. In all honesty, I know you have been away for a lot of this period, but it is a bit of a mess, is it not?

David Williams: As the report sets out, we have not delivered on the headline targets set for the defence estate programme in 2015. On a point of detail, the 2% against 30% is a slightly unfair comparison, because one is over five years and the other is over 25, but it does not detract from your basic argument. Nevertheless, we are in better shape coming back. That is not to say that there are not things that we need to do to improve further, but the funding and governance look in a better place. The system of incentives and accountability looks stronger.

We have as good an idea as I have seen of the sites that we want to retain, those that we want to develop and those that we want to dispose of, standfast further adjustments in light of the integrated review. We have an opportunity to deliver on these undertakings better in the future, absolutely recognising the criticality of the estate, both to the generation of our armed forces and to the day-to-day lived experience of our armed forces personnel.

Mr Francois: This is my last question, then I will hand back to the Chair, because other colleagues obviously want to contribute. Is it not always the same with the MoD? It is always jam tomorrow. Everything is going to be brilliant in about four or five years from today, but it is like *Groundhog Day*. It is always going to get better, but you never quite get there. You have been working on this, one way or another, for 11 years. You say we are in better shape. With respect, I shudder to think what worse shape would look like. I am sure this Committee does not want to do this, *Groundhog Day* like. The last report was five years ago. God only knows what it will look like in 2026 at this rate. On that point, I hand back to the Chair.

Q46 Chair: Perhaps I could turn that into a question. Mr Williams, you are new in the Department. You are good on the numbers and the money. I think we have all acknowledged, as you have, that the 30% target was not really a realistic one. Will the MoD own the new target when it is unveiled? Will it actually be something you have number crunched and believe you can



deliver, or does the Treasury have a hand on this and will it be forced upwards unrealistically?

David Williams: My general take on coming back into the Department, looking at where we are post the spending review 2020, is that, in any multiyear financial settlement, you would expect there to be some areas that you still need to do more work on to identify precisely how you will spend money or achieve savings. The degree of realism in some of the productivity and efficiency targets that we have been set, the degree of maturity in the plans to deliver against those assumptions and the alignment between the budget and what it is the Government want the armed forces to do through the integrated review and the defence command paper are, for me, in a better position than I can remember in my 20 years, on and off, in the Department.

Does that mean we can sit back and not worry? It absolutely does not. We really need a mindset across the piece, as we have in this portfolio, of delivery, delivery, delivery. My expectation, standfasting unexpected developments, is that I will be in role for around five years. I absolutely do not want to leave this job on a promise of jam tomorrow. There is an immense amount of stuff for us to get done on the estate, across the board, over the coming months and before that period is up.

Q47 **Chair:** That is a long answer, saying that perhaps you hope it is in a better place now. I take seriously what you say, as someone who is good at counting the beans, that there is a bit more rigour to this. That has now set you a target that we will hold you to for the next five years or—who knows?—beyond. You might be one of those long-serving Permanent Secretaries.

The other point is about the spending review. We keep hearing about the money: an extra £16.4 billion gone into the MoD. This was supposed to be for new defence capability. At every hearing we have had since, and in everything I have read since—and the other Committee members, as you know, are very expert on this—we are keeping a close eye and totting it up, and it seems to be money that is spent several times over. Can you give me some assurance that the work being done on the defence estate will actually deliver on some of that future capability, which was what the original promise was for that money?

David Williams: As Air Marshal Knighton has said, the financial settlement we have got through the spending review for the estate deals with some previous funding challenges, particularly linked to the end of the private finance arrangement, as well as giving us headroom for investment in new estate priorities. It is a some and some story. It is not all new money for new things. Equally, if we simply built new promises on a foundation of unsustainable efficiencies, that would do us no favours.

Q48 **Chair:** We would agree with that. How much of that £16.5 billion is going into new capability, and how much on patching up the estate and all the other problems that we have highlighted over many years on this



Committee? What is the percentage? What is the proportion? I will go to the Permanent Secretary first. He is the accounting officer, after all.

David Williams: It is a very good question, to which I wish I had the answer. I do not really want to speculate.

Q49 **Chair:** We would love to hear from you in writing. You are good at the numbers. That is presumably why you got this job, among other reasons.

David Williams: I am happy to give you my view in writing, but let me see whether Rich Knighton wants to give you a view before that, or whether he would like me to write as well.

Air Marshal Knighton: We will set this out in the equipment plan that will be published alongside the NAO's report into the equipment plan in the autumn, as discussed. If you look over the four-year period that we are in now, the equipment plan, as described to the Committee earlier this year actually, had £76 billion allocated to it. This equipment plan that we will set out will have £88 billion allocated to it over the four years. Over the 10 years, there is an increase of about £47 billion on to the equipment plan.

As you point out, there are other areas that we invest in that are not included in the equipment plan. For example, the National Cyber Force investment does not sit inside the equipment plan; the estates additional investment does not sit inside the equipment plan; and not all of the investment associated with R&D sits inside the equipment plan. It is quite a complicated picture, but it is very clear that the increase in investment that we got through the spending review and this assumption we have going forward enables us to invest more in the capability we are going to need to fight the threats of the future. Those numbers are quite a good way of getting a handle on what that uplift has been.

Chair: We could go down that, and we are the money Committee, but we will continue to look at that, because we worry. We are totting up how often it is promised that some of that money is being spent on past problems. Sir Geoffrey Clifton-Brown is going to follow up on this.

Q50 **Sir Geoffrey Clifton-Brown:** Perhaps sticking with you, Permanent Secretary—as the Chair says, you are the accounting officer—as I understand it from paragraph 2.10, the shortfall you had from raising investment was £1.7 billion. Is that right? That is what paragraph 2.10 says.

Chair: It is an agreed report, so that must be agreed.

David Williams: Yes, indeed, in terms of private finance assumptions.

Q51 **Sir Geoffrey Clifton-Brown:** Yes, but you keep using that as an excuse why this whole thing is so difficult. You then, from paragraph 3.4 on page 44, intend to invest £4.3 billion to 2031. Also, in that same paragraph, you talk about sales raising £2.2 billion from 2021 to 2039. How much more investment does this portfolio need?



David Williams: That is a good question without a straightforward answer, I am afraid. In terms of the plans that we have so far and the investment we have, provided we can deliver on those disposal assumptions and recycle those receipts in the way we are assuming, this portfolio is broadly funded. Clearly, there are questions about the rate of progress, although there is an ability within the portfolio to move money between projects depending on the relative progress that they make.

To the extent that we then think about new developments, whether that is around the Army basing laydown, the future accommodation model, we would need to understand how changes to that plan would be funded. I wonder whether I might ask Sherin to talk about how the money works at a portfolio level, to give you a bit more detail.

Sherin Aminossehe: In totality, we are expecting to be putting in £5.1 billion over the lifetime of the portfolio and £4.3 billion over the next 10 years. Some of this will be funded by future capital receipts and some of it will be funded by the money that we already have. Part of it that we discussed was originally going to be PFI but is now funded through our settlement. The rest was the original sum given to us back in 2015.

Q52 **Sir Geoffrey Clifton-Brown:** Given the estate is worth £37 billion, it seems incredible to me that, over the lifetime of the plan, you cannot make the portfolio at least self-funding, which is what the Permanent Secretary was indicating. He used the word “funded”, which I take to mean it will not require additional taxpayer funding. It seems to me incredible that you still need further injection of taxpayers’ money to run this estate.

Sherin Aminossehe: Let me clarify so that I am certain, in terms of what you are saying. In terms of the defence estate optimisation portfolio, there will be gross savings of £0.65 billion at the end of the process, so there is actually a net benefit at the end of the process.

Q53 **Sir Geoffrey Clifton-Brown:** That is very helpful. Up to 2040 there is a net saving of £0.65 billion?

Sherin Aminossehe: Yes, there is.

Q54 **Nick Smith:** Blimey, this is quite a session. Certainly my takeaway is that you know more about what you have, but things have not really changed much in decades and progress has been glacial at managing the estate. It is 12% of the defence budget. It costs £4.6 billion a year. It has a value of £37 billion. My concern is about the opportunity cost. Air Marshal Knighton, I look at you as someone who represents the services and I am sure wants to spend money on boosting our defence and keeping us safe. You would want to spend the money on good kit and either more or better trained personnel to keep us safe. How can you defend spending so much money on estate management, this fantastic resource? What is the opportunity cost? Would you not rather spend the money on kit and people?

Air Marshal Knighton: Delivering military capability requires us to get a whole bunch of things in place, whether it is people, equipment, support,



logistics or information—all of those sorts of things. Also incorporated in that is infrastructure. I very much see infrastructure as a critical component of delivering military capability. We cannot operate F-35s from RAF Marham without the facilities to train the pilots or to maintain the airplanes, or the runways to operate from.

Since the original better defence estate strategy, which was really focused on asset disposal, we have seen a shift in attitude, which says, “Let’s look at our estate” in exactly the way you describe. It is making sure that we have the estate we need to deliver the military capability that the country has and wants to have.

Q55 Nick Smith: I get that. You have to have the bases. You have to have the place to store your materiel for using in war, but it seems to me we have this huge landmass that has just been left to one side over decades. It has been insufficiently managed to give you in the commands the resources you need at the spearpoint. As a layman, it seems to me that is what has gone on here.

Air Marshal Knighton: The work that has been done by Sherin and the team to refine the estate optimisation programme is designed, fundamentally, to get at exactly the point you describe. Within the financial envelope that we can afford, it is always a balance between a whole range of competing demands: the deliverability of new infrastructure, because, inevitably it takes time to build it and move units around, and the military capability that we need. That balance, that optimisation that I described earlier, is what we have been trying to do.

We spent a lot of time, through the spending review, thinking about how we might accelerate the defence estate optimisation programme. There are some areas where you could, if you had much more money, accelerate it quickly, but there are then other constraints around the reprovision of sites for people to move in. As I described, this is a really challenging problem where we have to optimise sometimes competing demands to try to come up with the best solution we can. Given the history you describe, as the Permanent Secretary said, we do not start with a blank sheet of paper. We have to try to step off from the position we are in. The focus now has to be on the delivery of the plan as we have set out.

Q56 Nick Smith: We get that it is complicated. We understand that you have to work with partners, local authorities and external organisations to support these major moves that you make. We read in the report that some of them are taking up to five years at a time. We have fought and won major wars in less time.

Air Marshal Knighton: I deal with this on a day-to-day basis, but I share your frustration. As Sherin and Graham will talk about, there are some initiatives and some examples of really good practice that we need to expand on to accelerate some of these changes.

Sherin Aminossehe: I initially want to expand on your point about capability and infrastructure. As an infrastructure professional, it always



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pains me when people try to say that one part of MoD is more important than the other. I thought I would get that point in, as an infrastructure person, so excuse me.

More broadly, we can look at the kinds of projects that we are delivering through DEO, and then I am going to come to the timescale point. You look at one of the air projects, for example, which is called PORTAL. That is about the consolidation of training across different parts of the air estate but also its capability to deliver better training for its personnel. That is done through the consolidation of the estate and is actually driving thinking, in terms of the way it does its programmes. That is facilitated by DEO and by infrastructure, to get those exact capabilities that you were talking about.

In terms of timing, yes, some of our move chains are complex. We have stacks of wiring diagrams that show the dependencies. But some are actually an awful lot shorter. If you look at Amport House, for example, that took about a year and a half end to end. That was for the chaplaincy of strategic command. That is currently on site and is being built. Graham may want to talk a little more about DIO headquarters. That is also on site and being built.

Another example of that is Kneller Hall, which is the joint bands. That has recently been sold and the process will be finished in the next few months, and ditto in terms of Hounslow, so there are examples of doing it quicker.

What we want to do to get after that and do it quicker is twofold. One is being involved in Project Speed across Government, which is, as you know, a No. 10 and Treasury initiative, so we are looking at ways of working with the planning system to accelerate that process. We are also looking deep down within our own processes, so looking at tendering arrangements, going for two-stage tendering, for example. Two-stage tendering and going design and build will allow us to save 12 or possibly 18 months, and in some cases maybe even more, off the timescale of doing this.

What will that actually mean? It means we can do a better job of delivering our capabilities more quickly, but also increasing the end benefits of the portfolio, which, at the end of the day, is the important thing for the taxpayer.

Q57 Nick Smith: It is a good explanation and we understand the way you are having to work with lots of parcels of land, all over the country and internationally, to the best effect. That is a good summary of what you are trying to do. Laypeople like us want to see you make faster progress and the record is poor. I emphasise: please move faster. Now you have a good understanding of what you have, make better progress for the future, please.

I have one follow-up question, which slightly relates to the last evidence we heard. I know it is much easier to flog off the historical buildings we have in central London. It seems to me that the civil service's



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reconfiguration and management of premises in central London has made good progress in recent years. Is there any best practice from that? I know it is much easier compared to the breadth and complexity of your estate. Is any bit of the public sector managing estates better than you, and can you learn from them to speed it up?

Graham Dalton: We work closely across public sector. We work very closely with the Government Property Unit, following standard Government policy. Where we can, we plug into that. I would suggest that defence has not done a bad job over the last decade and a half. MoDEL, modernising the defence estate in London, has very significantly reduced footprint in London. As you say, that is a little easier, because it has more value.

The effort for us is getting into some of these difficult sites. As Sherin was pointing out, we have sites that are of scale, where they need real investment to realise their potential for community at large. We have sites that are, essentially, a liability. They are places where there is relatively low value and maybe they had previous use or contamination that is expensive to deal with.

The thing we are really trying to do, and we are trying to do it in lockstep with the wider public sector, is on those bigger sites. I would cite somewhere like Bordon in Hampshire. As a site by itself, it is too big for any one developer to bite off, take the planning risk and hold on its balance sheet for a very long period of time while it tries to get consent. We are working with other Government Departments and local authorities to develop the site in phases and to ensure that it gets not just housing but community facilities, transport connections and so on. That is an example down at Bordon, where we think we have made it work. We are very happy to look in other places, and we work with the likes of Homes England to make sure we do.

Q58 Sir Geoffrey Clifton-Brown: To slightly get back to where I was, perhaps to you, Mr Williams, on how much money needs to be put in and how much you are getting in receipts, if we can go to figure 13 on page 45 of the report, I have one simple question. In black there it says, "To meet its current funding requirement, the Ministry of Defence (the Department) must increase sales receipts by £0.1 billion and reduce building costs by £1 billion, compared with the baseline it approved in December 2020." Are we on course for that?

David Williams: Yes, my understanding is that we have some plans to deliver on both of those.

Q59 Sir Geoffrey Clifton-Brown: Ms Aminossehe, on that table, receipts over the next 40 years are £2 billion on a portfolio worth £37 billion. That seems a very modest target. What more can you do?

Sherin Aminossehe: Can I clarify that point? The £2.2 billion-worth of capital receipts projected forward is for the defence estate optimisation portfolio, not for the totality of capital receipts that we are expecting. The DEO is a portion of the estate. It is not the totality of the estate.



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Q60 **Sir Geoffrey Clifton-Brown:** Can you give us the figures for the totality of the estate?

Sherin Aminossehe: We can get back to you in more detail about that.

Q61 **Sir Geoffrey Clifton-Brown:** Could you get back to us with the receipts for the totality of the estate? That is a significant figure. I do not want to tread on my colleague's toes, who is going to come in later on the condition of the defence estate, particularly defence housing, but I assume this graph tells us it is a standstill position. There is no element in here for improvement of any of your facilities. Is that right?

Air Marshal Knighton: I am not quite sure I understand the question.

Sir Geoffrey Clifton-Brown: This graph tells us what the funding requirement is going to be between now and 2040. I am assuming that the graph tells us it is a standstill position. If you are going to start to improve the quality of any of the defence estate, for example any aspect or any sites where you are going to want to improve defence housing, it is going to require more taxpayers' input to do that.

Air Marshal Knighton: To be really clear, this talks about the defence estate optimisation portfolio, which is a subset of the overall investment that is made in defence. For example, this includes elements of new single living accommodation, but there are other elements of single living accommodation that the frontline commands are already planning to invest in. That money is already allocated in their budgets. The command paper talks about more than £1.5 billion of investment in SLA.

This is a picture of the defence estate optimisation programme. There is further investment in the estate every year, which will see both maintenance and betterment and, as we bring new capabilities into service, will require investment. This does not cover everything that happens in the estate across defence.

Q62 **Sir Geoffrey Clifton-Brown:** We now have two categories, it seems. There is the category covered by this, the optimisation plan, and the total defence estate. How much money per year over the next 10 years is being allocated to those categories, so we can see how much money is being put into betterment, improvement if you like, of the estate?

Air Marshal Knighton: We would have to break that out for you. We are spending between £4.5 billion and £5 billion in total. An element of that is for maintenance. An element of it is for new capability. An element of it is for the estate optimisation programme. The report the NAO did was very specifically to look at the defence estate optimisation portfolio, not the totality of the defence estate.

Q63 **Sir Geoffrey Clifton-Brown:** We need to know what the betterment element of it is, so that, when my colleague comes in to ask you about the quality of defence housing, we know how much money is likely to be spent and therefore how much we are likely to get. If you could give us that



information, that would be really helpful. You have changed the way you delegate authority to manage this estate more towards the TLBs. Air Marshal, perhaps this is a good question for you. What are you doing to incentivise the TLBs to manage their part of the estate better, or to incentivise them to sell off some of it? Can they keep some of the capital receipts to spend on, for example, equipment, going back to Mr Smith's question? Perhaps you could tell us something about that.

Air Marshal Knighton: I would be delighted to. It is worth going back a little while to a period more than 10 years ago where elements of the estate management were delegated to frontline commands. Through a period beyond the SDSR in 2010, it was aggregated together and centralised under—originally the Defence Estates Organisation—the Defence Infrastructure Organisation. As we went through that—and this was always the intent—it was clear that, by centralising it, you can have greater oversight and control, but actually incentives are then not in the right place.

In 2018, we delegated the budgets and the responsibility for managing their estate back to the frontline commands. That puts the accountability and responsibility in the same place. I was involved in the decision when we decided that that was the right thing to do and that the commands were ready to take it. We were worried at the time about the capacity and capability of the commands to do it and quite how this incentivisation would work.

When I look now, we see that the commands are investing more in their estates and are focusing on those things that are priorities, particularly for the lived experience of their people. We see an increase in the amount of money being spent on additional works. Graham can talk about the volume of that. As part of the estate optimisation programme, we have said to the commands that, if they are able to generate excess receipts beyond that that we assumed, they are able to keep those receipts and reinvest them in their programme.

My sense of how this has worked in practice has been that the incentives are well aligned. Aligning responsibility and accountability is proving to be successful. I am genuinely pleased with the way the commands have stepped up to deliver this.

Q64 **Sir Geoffrey Clifton-Brown:** Are some of them delivering better than others?

Air Marshal Knighton: There was a difference in levels of capability at the point of delegation. The Army was definitely ahead because it had the Army basing programme and had built up the skills that were necessary in order to deliver the Army basing programme, which was the relocation of the Army in Germany back to the UK. All four of the commands and the other top-level budgets are assessed as operating at an acceptable standard, have the right level of skills and are doing what, from a strategic perspective, we would want to do.



- Q65 **Sir Geoffrey Clifton-Brown:** Can we cut to the chase? Are some of them doing it better than others? A simple answer will suffice.
- Air Marshal Knighton:** I was asked this question in another Committee. Sorry, forgive me; it was the NAO that talked to me about it. It varies between services, because their requirements are different. I have no concerns about any of the commands, what they are doing and how they are managing.
- Sir Geoffrey Clifton-Brown:** That is still not the answer. I am going to keep going.
- Q66 **Chair:** You seem to be saying that the Army is better at it. Is that a fair summary of what you have said so far?
- Air Marshal Knighton:** I am not saying that.
- Chair:** I have set the cat among the pigeons.
- Air Marshal Knighton:** Sir Geoffrey Clifton-Brown is asking whether some are doing better than others. There is no clear evidence that one TLB is doing it better than another. When we started, the Army was better prepared for delegation, because of the skills it had built up in developing the Army basing programme. I think Graham Dalton has a perspective on this as well.
- Q67 **Sir Geoffrey Clifton-Brown:** I just need a very simple answer. Are some of them doing it better than others? If they are, what are the lessons to be learned? If the Army is doing it better, as the Chair says, what are the lessons to be learned for the others?
- Graham Dalton:** Can I offer two points? They are doing it differently because their needs are different and there is some learning going on between them. For example, air put some very early focus on things like heating and hot water in living accommodation. It had a high hygiene factor for them. It really mattered. Both Army and Navy are picking up from the example of the programme we ran with air, but there are different priorities, based on their different needs.
- Q68 **Sir Geoffrey Clifton-Brown:** What about the central management, the medical side and everything else—the fourth TLB?
- Graham Dalton:** The big focus and challenge for strategic command is, again, different, because of its international footprint, with a focus on Cyprus and south Atlantic in particular. It is more heavily focused on capital investment on capability, whereas of course the single services are more balanced about capability and what we tend to call lived experience, so the quality of accommodation for living and working.
- Q69 **Sir Geoffrey Clifton-Brown:** Can I come to you, Ms Aminossehe, and ask you questions about disposal? There is a chart somewhere in the report, in which you think about whether you want to dispose of something. You then make a decision. You then make the arrangements to get whatever current



forces are in the individual asset. You then think about getting planning permission. You then think about disposing of it. It seems to me that one of the biggest gains you can get, and Mr Dalton referred to this in relation to the site in Hampshire, is by talking to local authorities at an early stage, to see whether you could gain planning permission. Can you tell us a little about that, what you are doing in that respect, on every single asset where you might conceivably get planning permission?

Sherin Aminossehe: You are absolutely right, and that is something we have been doing over the past year and a half. We have been speaking to about 55 local authorities during that time. Particularly on the defence estate optimisation portfolio, we have been really careful to make sure that, at each of those sites, there is sufficient discussion with the local authority and that we have given enough time for that to be included in the local plan as well. That is a really important part of it.

The graph or diagram that you will see in the report came originally out of a conservative way of considering the worst-case scenario of disposing of an asset. That includes lots of sequential activities: "This will happen; then this will happen; then this will happen." In reality, as I think I mentioned in a number of examples earlier, like Ampert House or Hounslow Barracks, we have realised that a number of these things do not have to follow slowly, one after the other, but can be done in parallel. That is what we have been doing.

The other part, as I said, to make sure this happens more quickly is that we make sure the construction and reprovision process is occurring in a more accelerated fashion. Also, going back to your point about planning, we are working with Project Speed to look at the potential, as requested by our Secretary of State, of ways of speeding up the planning process for the Ministry of Defence.

Q70 **Sir Geoffrey Clifton-Brown:** I would have thought, as a chartered surveyor, these processes should not be going on in parallel. In order to come up with which assets you want to sell, you want to know what they are worth or potentially worth. Therefore, you should be considering any of the 9,000 assets you have. You should run a slide rule—if I may use that expression—over the whole lot of them and talk to the local authorities, almost on a blanket basis, as to what planning permission might be gained. Are you doing that exercise?

Sherin Aminossehe: Yes, we are. We are doing that for all our assets. As part of the technical surveys, we had a better idea of the status of each of the sites, so that, when we are going into those conversations, we are fully forewarned and can have a conversation that is beneficial to both sides.

Q71 **Sir Geoffrey Clifton-Brown:** On this site we are talking about in Hampshire, I was trying desperately to remember it, but I cannot recall it. There is a site at the end of the M3 where, for a long time, an entirely new village was proposed. I have no idea, as I have not seen this site in Hampshire, but would it not lend itself to that?



Sherin Aminossehe: It would probably be helpful if we knew exactly what the site in Hampshire is, but we can write back to you in more detail.

Sir Geoffrey Clifton-Brown: It is the one that Mr Dalton mentioned.

Graham Dalton: Bordon is about halfway down the A3 and is effectively a new community. It was a garrison area, garrison town, and it is effectively a new community.

Q72 **Sir Geoffrey Clifton-Brown:** I do not want to set hares running locally, but say that you were to draw up a plan for such a thing. What I am really asking is whether you are looking outside the box with all your sites to see how to maximise value.

Graham Dalton: We are. As you can see from the graphs, we are incentivised to maximise sales receipts and different receipts for the sites. We are not here just to do cash. We are here to support wider Government policy, so to make sure we have development that is successful. The important thing is about the level of role we have. The civil service and MoD are not property developers and speculators. The important thing for us is to be able to dispose of surplus sites in a way that they go to market and release an optimum revenue for the Department. There are plenty of sites where simply having them outlined in a local plan as suitable for development—in terms of value, housing development is clearly highest value—and getting them into the local plan with that categorisation is sufficient for the market then to compete quite highly.

In Sutton Coldfield, where my DIO headquarters are, we are just about to complete on the sale of that. It is in the middle of an existing housing estate. It is an easy or straightforward transaction with housing value. On the larger, more complicated sites, where they are too big for a single developer to take on or where the infrastructure is not there to provide other utilities, in particular transport, it is advantageous for us to work with developers.

Q73 **Sir Geoffrey Clifton-Brown:** I get all that. Do you have sufficient planning professionals within your central team or are you buying in sufficient planning advice to be able to do that? Across the entire portfolio, that is a very big job. It is a job where sometimes you are not going to get planning permission tomorrow. As you say, you need to get local authorities, and the Department for Transport sometimes, working together. It can take 20 or 30 years to get a big planning permission. Are you doing that in a strategic way?

Graham Dalton: I have the capability. I have a disposals team operating as one of the functions under a head of estates. There will be some peaks and troughs in the demand, but I have a disposals team there, which we supplement with specialist advice as we need to.

Q74 **Sir Geoffrey Clifton-Brown:** Have you double checked that advice to make sure it is delivering what you think it is delivering? I still come back to the point that, even on the optimisation plan, £2 billion disposal over



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the next 30 years is a very, very modest programme. I think you could do substantially better than that. Do you have the right advice? Do you check that advice? Do you get a second opinion across your 9,000 sites that you are optimising the chances of a disposal price?

Graham Dalton: We get independent valuation. We get independent advice on a site-by-site basis. At DIO, I have my own board, including non-executives with some professional development and external experience.

Q75 **Mr Francois:** Permanent Secretary, you have said a number of very important things today, one about the 30% target. You have agreed to come back to the Committee in a few weeks' time. Another thing you said was very important and I want to double check we heard you correctly. You said that, however long you are in this job, if it is five years or more—I am sure we would welcome that—your emphasis is going to be on delivery, delivery, delivery. I want to check we heard that right.

David Williams: Yes, it is quite hard to pass that one.

Q76 **Mr Francois:** Okay, fair enough, you have been very clear on that. On the accommodation issues, the family accommodation model, FAM, has caused a great deal of uncertainty and worry, particularly among service families, because the programme has been so vague. To try to put some meat on the bones, the Department said it would run three pilot programmes. I think it is now doing one for each of the three services. Those pilots themselves were three years late. Why was that?

David Williams: You are right that we are now running the pilots, I think at three sites, in Aldershot, Faslane, and I am trying to remember where the RAF pilot is. I do not know, from my time back in the Department, what caused any delay to the launch of those pilots. We are looking at the data we have got back from their first few months in operation. We will need to consider whether the lived experience through last year, with Covid-19, gives us enough insight into the kinds of choices that service personnel and their families will want to make about accommodation. In other words, are the pilots going to deliver us the insight that we want? Let me see if any of my colleagues have any information on the timing of those pilots.

Q77 **Mr Francois:** I simply want to know why it took three years to get these pilots up and running.

David Williams: Perhaps it is easier if I include that in my follow-up note to the Committee.

Q78 **Mr Francois:** In that case, I will just make the point, because it is part of this overall narrative of endless delay and dither. If we go on to FDIS, there is a major problem with the quality, not so much the physical quality of, for instance, service family accommodation. I think you no longer let grade 3 and grade 4. You only tend to let out, at least for new tenancies, the better-quality accommodation. Most of the complaints now come about the maintenance of that accommodation, such as the fixing of boilers that do



not work. I think Mr Dalton said the RAF places quite a high priority on hot water, for which it should be commended. I should think that Army and Navy personnel would quite like a warm shower, too, from time to time.

If you go to the armed forces continuous attitude survey—this is May 2021, so it is bang up to date—satisfaction by service personnel, quality and maintenance/repair work, is 34%, barely one in three, and that is down from 40% a few years ago. Why is it that only one in three of our armed forces personnel is satisfied with the maintenance of the properties in which they live?

David Williams: I might ask Mr Dalton to come in here on the detail of our approach on service accommodation maintenance. I will come back if there are any high-level questions.

Graham Dalton: Could you clarify, Mr Francois, whether the AFCAS figure you quote is for single living accommodation or family accommodation?

Mr Francois: To be quick, it is the UK regular armed forces continuous attitude survey results 2021, published 20 May 2021, section 12, accommodation and catering, page 19. Is that specific enough? To save time, you have gone down the FDIS route, which is basically reinforcing failure. You are taking your old model of using contractors with poor performance to provide a very shoddy system of maintenance for accommodation. You have let the FDIS contract; I think you have gone with Serco.

We have housing associations around the UK whose sole raison d'être is to maintain public sector housing. Large numbers of local authorities outsourced their housing accordingly many years ago. Why have you gone for a facilities management company, when registered social landlords are the absolute experts in maintaining accommodation? That is what they do. It is their bread and butter work. Why did you have to give it to Serco?

Graham Dalton: We have rehearsed some of these arguments previously. We have just let a set of five contracts, four regional maintenance contracts, two of which have gone to a joint venture of Serco and ENGIE under the JV called VIVO, and two of which have gone to Amey. There is a national management contract that has gone to a firm called Pinnacle. Pinnacle, in particular, just provides a co-ordination and response service to many other housing providers.

We have also gone for far more standard specifications, rather than write our own, so we are on industry standard running this time round. We have changed the responses from what was previously a turn up and attend response to a time to fix response, which we think will incentivise a faster, better service. That is consistent with, as you say, those industry standards.

Q79 **Mr Francois:** We are tight for time, so I will try to be as focused as I can. A lot of people think the problem will be the interface between Pinnacle, with the national contract, and the regional contracts. There is tremendous



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scope for everyone to point at everyone else when things go wrong. You talked about JVs. Ascent is the JV that does MFTS for flying training for the Air Force. That is an ongoing, rolling disaster, because everyone in that consortium points at everyone else, as Air Marshal Knighton well knows. You have come up with the wrong model.

We talked about avoiding Groundhog Day. What guarantees can you give us today, as the head of the DIO, nicknamed throughout the MoD “DI No”—that is one of the polite ones—that we are not going to be back here in five years’ time, talking about a great deal of dissatisfaction among armed forces personnel with the maintenance of the accommodation in which they and their families live? How can you reassure us that this is really going to work? The Russians have a military saying: “Never reinforce failure; only reinforce success.”

Graham Dalton: I believe we are changing the model and changing the specifications to address the perceived shortcomings. It is important that we do so. We are making management information data far more clear and accessible, so we can track and see performance right the way through, down to delivery level. We believe we have the incentives in the right place. By having two contractors in this and three across the built estate, which is where the people work, we think we are going to be driving better performance.

I do not offer absolute guarantees. I offer my very best effort and the very best effort of the people who work with me to mobilise these contracts well and keep at delivering for the service personnel who rely on them. That is why we are here.

Mr Francois: We will see how we get on.

Q80 **James Wild:** I declare an interest as a special adviser in the MoD at the time of the 2015 review, so this has been quite an interesting afternoon. I want to focus a bit on land release for homes to be built. Figure 8 on page 35 sets out the initial target of 55,000, and the actual delivery thus far, to date, is 9,212. I was certainly involved in lots of conversations about how realistic the 55,000 was. Why has the 9,000 figure ended up so low, compared to the original target that has then been trimmed down? What is the biggest factor behind that?

David Williams: My understanding is that it is related to our assumptions, particularly of being able to dispose of surplus land and create housing units through Homes England, through the HCA. That has been a particular drop-off in our assumptions. There have been some technical issues about how you count service accommodation disposals.

Air Marshal Knighton: To give you some specific examples, you will recall that one of the big potentials for housing was the sale of the US visiting forces sites. RAF Mildenhall, out in Suffolk, is an enormous site, which was included in the plan, with thousands of potential houses to be built on it. The Americans wrote to us a few years ago and said that, actually, they now wanted to retain the sites, as rethinking their posture in Europe. The



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loss of Molesworth, Mildenhall and Alconbury, big sites with big housing usage potential, was part of the significant reduction against the 55,000 target.

You will probably also recall that it was always seen as a very stretching target, with no clear plans to deliver all 55,000. It was made a condition of the SDSR settlement, as I understand it.

Q81 James Wild: Do you expect that figure to increase? How far do you expect it to increase with the planned disposals over the next 10 years or so?

Air Marshal Knighton: Sherin will probably have that number at her fingertips.

Sherin Aminossehe: As part of DEO, we are hoping to deliver around 20,000 accommodation units in total, but that includes forces accommodation as part of that. So far, DEO has delivered just over 5,000, in terms of a housing unit potential figure. For the totality of the Department, I think the report refers to just over 9,000. Including this year's figures, which we are just verifying with the Ministry of Housing, Communities and Local Government, it is just over 11,000, but obviously there is more to go.

Q82 James Wild: In evidence we had from the LGA, it highlights a couple of good examples: St George's Barracks and Kneller Hall. I remember that Kneller Hall was a particularly thorny topic. It highlights that there needs to be as much focus on resources for future uses of the land, putting in the partnerships and projects in those areas. Are you confident that you have enough provision for that within the 61 or so planned disposals?

Sherin Aminossehe: We are working closely with the local authorities. Obviously part of it is best value for the site, but also what works for the communities that are surrounding those sites. We would not want just to have a large community of houses and no social infrastructure, as it were. It is definitely part and parcel of our thinking. We work in partnership with developers and Homes England, which are best placed to masterplan and do the development of those sites.

Q83 James Wild: One of the big areas of focus was around the London estate. You have talked about the successful bringing forward of the Hounslow and other sites. Is Project Rose still operating? What are the plans in terms of Hyde Park Barracks?

Sherin Aminossehe: We have no current plans to dispose of Hyde Park Barracks, but obviously we are reviewing our London estate, just like the rest of our estate. We will continue to do that.

Q84 James Wild: Is there active work at the moment? There were plans before to split the site into two parts, for example. Is there still work going on, or has all that been stopped?

Sherin Aminossehe: We are not currently planning to dispose of Hyde Park Barracks. The reasons behind that are twofold. Historically, there were



issues in terms of the need to get legislation on that site. Also, there were no real viable re-provision alternatives, particularly bearing in mind the horses. But never say never; we are reviewing our sites on a regular basis.

Q85 James Wild: What proportion of the training estate do you expect to dispose of over the period through to 2040?

Sherin Aminossehe: We can come back to you with a detailed figure on that. More generally, our training estate is not necessarily always in a place that lends itself to development. There are SSSIs, sites that are linked to biodiversity and so on. Not all of that is necessarily always suitable, but we can come back with a breakdown for you.

Q86 James Wild: Another issue that has been raised with me is around access to some of the training estate, such as for people who want to engage in motorsports or other activities. What is the DIO's mindset in terms of letting people have access to more of the training estate?

Graham Dalton: On disposal of the training estate, there is relatively little identified. Areas such as Middlewick Ranges were in the programme and were clear cases. Broadly, they are areas that are outwith the scope of the estate optimisation programme. They tend to be of lower potential value because of a combination of location and the very serious challenge of doing any development on them.

On our approach to managing the estate, this is one area where Covid and the effects of the pandemic have had a big impact on us, as they have in many other parts, with the rural environment. We are doing our utmost to accommodate the different demands on the estate. We need access for safe military training, which is what they are primarily there for. When they are not required for military training, we wish to give free and open access for recreation, in the best way possible.

To that extent, we have been doing promotional campaigns, using social media and the like, to help people who are unfamiliar with what, to military personnel, is long-established custom: what it means to go on the estate and when it is safe to do so. Whether it is for mountain biking, walking or horse riding, we are very happy to see people on the estate, but when it is safe for them to do so and when there is not training happening. Ensuring we keep that safe place to train is critical.

Q87 James Wild: That is helpful. Perhaps I could follow up on the motorsports offline. That would be helpful.

Graham Dalton: I would be happy to do so.

Q88 James Wild: There are a final couple from me on the overseas footprint. To what extent has there been a strategic look at overseas bases, training and whether we should be moving training to other places to have more of a deterrent effect? Has that piece of work been carried out as part of the review?



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Air Marshal Knighton: There was a detailed review that we undertook with Ministers about the locations of our overseas bases, the location of our training and how we might maximise the use of both training and the bases to support the principle of persistent engagement, which was set out in the defence command plan. The Secretary of State spoke to the Defence Select Committee last week on this.

In particular, moving training that is currently conducted in Canada, in BATUS, to do more of that either in Europe or perhaps in Oman in the Middle East, would demonstrate the UK's commitment to a region and help to support the narrative around deterrence, as you describe. That was a piece of work that was looked at in detail with Ministers during the review, and the output is in terms of the principles of what we laid out in the defence command paper.

Q89 **James Wild:** I am pleased to hear that. To go back to facilities management and the contracts Mr Francois was talking about, I was watching an interview with one of the figures involved in that contract. He said that a proportion of the value of the contract would be dependent on customer satisfaction surveys. What proportion of the contract payments will be dependent on our forces and their families being happy with the services being provided?

Graham Dalton: That is probably for me, but I am afraid I am not in a position to give you a specific percentage. It will be material on the profit margin on the contracts, but they are pretty clearly priced.

James Wild: Could you perhaps add that to the follow-up points? It was highlighted as one of the new parts and benefits in this contract. If it is not a meaningful amount of the payment, it is not a big thing to be shouting about.

Q90 **Mr Francois:** Mr Williams, welcome back to the Ministry of Defence. The DIO was created, admittedly in very difficult financial circumstances, back in 2010. We are reassured to hear that, after 11 years, it now understands the estate it has, although perhaps we would have liked it to have been done a little more quickly. Mr Smith said some of this has taken longer than one world war. Actually, it has taken longer than two.

You have been very clear today, to your credit. Your mantra now is "delivery, delivery, delivery." It is evident from this session that there is a whole range of deep-seated problems. The target is fluid. There is not really a clear plan to hit it anyway. There are lots of IT problems. Can you please reassure us that you will deliver and sort this out? If you can give us that assurance, we part on good terms.

Chair: There is a temptation, Mr Williams.

David Williams: I am regretting using "delivery, delivery, delivery" already. This is an important component of our military capability. It is an important aspect of the lived experience of our service personnel's lives and those of our families. As the report sets out, we have made progress



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since the NAO was last in. There are a number of conditions here, in terms of funding, governance, incentives, skills and capabilities, that give us a good prospect of delivering in the future. It is an area that will be getting my full and persistent attention.

Mr Francois: Three times over.

Chair: This Committee likes “delivery, delivery, delivery”, so I think you might find that is oft repeated back to you. We hope you deliver on it, because we genuinely want to see some moving on from what Mr Francois described rightly, as a very new member of this Committee, as Groundhog Day. Mr Francois, you have only been on a few weeks, so try a few years and it gets worse than that. Let us hope we are seeing some shift at last on this very important issue.

I thank our witnesses: David Williams, the Permanent Secretary, Air Marshal Richard Knighton, the Deputy Chief of the Defence Staff, Graham Dalton, the chief executive of the Defence Infrastructure Organisation, or DIO, and Sherin Aminossehe, who is the director of infrastructure at the Ministry of Defence. The transcript of this session will be up on the website uncorrected in the next couple of days. It is obviously an issue we return to frequently, so we will keep a close eye on it in between sessions. We look forward to hearing responses to the queries raised in the hearing in writing. Thank you very much indeed for your time.